

## Message Text

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67

ACTION EB-11

INFO OCT-01 EUR-25 IO-13 ADP-00 OMB-01 TAR-02 AGR-20

AID-20 CIAE-00 COME-00 INR-10 LAB-06 NSAE-00 OIC-04

RSC-01 SIL-01 STR-08 TRSE-00 CIEP-02 CEA-02 AF-10

ARA-16 EA-11 NEA-10 L-03 RSR-01 /178 W

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R 111331Z JUL 73

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TO SECSTATE WASHDC 351

INFO USMISSION OECD PARIS

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E.O.11652 NA

TAGS ECON UNCTAD

SUBJ UNCTAD CIFT MEETING

REFS GENEVA 3431, 3372

BEGIN SUMMARY: DCS AND LDCS CONTINUE EFFORTS TO WORK  
OUT COMPROMISE RESOLUTION ON INTERNATIONAL MONETARY ISSUES  
BU PROSPECTS APPEAR DIM THAT RESOLUTION ACCEPTABLE TO BOTH  
SIDES CAN BE FOUND. GROUP B COUNTRIES HAVE DRAWN UP COUNTER  
RESOLUTION ON DEBT SIMILAR TO UK DRAFT TERMS AVAILABLE  
WASHINGTON AS BASIS FOR BARGAINING WITH G-77. ONLYBCON-  
TENTIOUS ISSUES ON CAPTIAL FLOWS TO ARISE SO FAR HAVE BEEN  
1) FAILURE OF IBRD TO COME UP WITH SUPPLEMENTARY FINANCING  
PLAN AND 2) THE REDEFINITION OF AID TARGETS. END SUMMARY.

1. GROUP B DISCUSSION OF MONETARY ISSUE INDICATED ALL COUNTRIES  
RELUCTANT TO ACCEPT RESOLUTION ON MONETARY REFORM AND DOUBTFUL  
THAT ANY AGREED TEXT COULD BE NEGOTIATED. NEVERTHELESS, ALL EXCEPT  
US AND PERHAPS JAPAN, UNWILLING TO TAKE POSITION OF INITIAL OPPOSI-  
TION TO ANY RESOLUTION WITHOUT ATTEMPTING TO NEGOTIATE.

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2. IN AN EFFORT TO COMPROMISE DC/LDC DIFFERENCES ON MONETARY AND DEBT ISSUES, CHAIRMAN ESTABLISHED A CONTACT GROUP INVOLVING LIMITED REPRESENTATION FROM EACH GROUP WHICH BEGAN MEETING OUTSIDE AND SIMULTANEOUSLY WITH PLENARY SESSIONS ON JULY 10.

3. FIRST DAY'S CONTACT GROUP SESSIONS MADE ONLY SLIGHT PROGRESS ON MONETARY ISSUE, CONSISTING MAINLY OF COSMETIC MODIFICATIONS IN PREAMBLE. THE SEVEN OPERATIVE PARAGRAPHS OF THE RESOLUTION AND PARAGRAPHS 5 AND 6 OF PREAMBLE WILL BE FOCUS OF ATTENTION IN JULY 11 CONTACT GROUP MEETINGS.

4. GROUP B MET EVENING JULY 10 TO CONSIDER AMENDMENTS TO RESOLUTION WHICH WOULD MAKE IT ACCEPTABLE TO ITS MEMBER GOVERNMENTS. LDC PRIMARY OBJECTIVES ARE PARAGRAPH 1 (LDC PARTICIPATION IN ALL INTERNATIONAL MONETARY DECISIONS) AND PARAGRAPH 4 (SDR LINK). FRANCE AND CANADA HAVE SUGGESTED THAT PARAGRAPH 1 BE AMENDED TO EXPRESS HOPE THAT MONETARY REFORM WILL MAKE IT POSSIBLE TO AVOID EMERGENCY MEASURES BY COUNTRIES OR GROUPS OF COUNTRIES WITHOUT CONSULTING IMF. PARAGRAPH 4 WOULD BE AMENDED SO THAT IT INVITES THE C-20 WORKING GROUP CONTINUE ITS WORK ON THE LINK. NEITHER OF THESE PROPOSALS NOR OTHERS ACCEPTABLE TO GROUP B COUNTRIES HAS MUCH CHANCE OF ACCEPTANCE BY G-77 GIVEN THE FRAGILE BALANCE OF FORCES IN THAT GROUP.

5. MEXICO IS CONSIDERING SUBMISSION OF DRAFT RESOLUTION DEALING WITH TRANSITION PERIOD OF MONETARY REFORM. PRESUMABLY IT WOULD GO BEYOND CONSULTATION PROCEDURES CALLED FOR IN PARAGRAPH 1 OF ABOVE RESOLUTION.

6. DEBATE ON DEBT ISSUES CAME TO END ON JULY 9. GROUP B COUNTRIES SOUNDED COMMON THEME ON UNIQUENESS OF EACH COUNTRY'S DEBT SITUATION THE INCENTIVES TO FINANCIAL IRRESPONSIBILITY INHERENT TO AUTOMATIC OR SEMI-AUTOMATIC DEBT RELIEF, AND POSSIBLE DISTORTIONS OF AID FLOWS TO BENEFIT OF FASTER GROWING LDCS AND AT EXPENSE OF SLOWER GROWING LDCS FROM THE ADOPTION OF DEBT RELIEF GUIDELINES. LDCS BLAMED DEBT PROBLEMS ON DC PARSIMONY ON AID, INTERNATIONAL MONETARY CHANGES, TIED AID, AND OTHER ILLS EMANATING FROM DC COUNTRIES.

7. INTEREST SUBSIDY SCHEME HAS NOT DRAWN MUCH SERIOUS ATTENTION LIMITED OFFICIAL USE

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FROM EITHER DCS OR LDCS. NORDIC COUNTRIES (THROUGH SWEDISH SPOKESMAN) EXPRESSED CONCERN THAT IT MIGHT RESULT IN SOFT DONOR COUNTRIES FINANCING LOANS OF HARD DONOR COUNTRIES. A FEW LDCS ARGUED IN FAVOR OF FUND BUT WITHOUT MUCH CONVICTION. ISRAEL ADVOCATED ADOPTION OF HOROWITZ PLAN (INTEREST EQUALIZATION FUND).

8. IBRD REPRESENTATIVE ELABORATED ON MCNAMARA LETTER TURNING DOWN SUPPLEMENTARY FINANCING SCHEME. IBRD CASE

WAS THAT 1) EVIDENCE NOT PERSUASIVE THAT FLUCTUATIONS IN EXPORT EARNINGS HAVE MUCH EFFECT ON GROWTH RATES; 2) SINCE LITTLE PROSPECT OF OBTAINING ADDITIONAL FINANCE FOR SCHEME, FUNDS WOULD HAVE TO BE DIVERTED FROM BASIC DEVELOPMENT USES; 3) BANK BELIEVES THAT COUNTRIES SUFFERING EARNINGS SHORT-FALLS CAN BE ASSISTED BETTER THROUGH MODIFICATION OF BANK LENDING (E.G., PROGRAM LOANS, LONGER TERMS, MORE ELIGIBLE LOCAL FINANCING) THAN THROUGH SUPPLEMENTARY FINANCING SCHEME. SRI LANKA AND INDIA EXPRESSED UNHAPPINESS THAT BANK FAILED TO RESPOND TO UNCTAD RESOLUTION AND OTHER LDCS THOUGHT SUPPLEMENTARY FINANCING SCHEME DESIRABLE DESPITE IBRD DOUBTS AS TO ITS SOUNDNESS. SWEDEN WAS ONLY GROUP B COUNTRY TO SPEAK IN FAVOR OF SCHEME.

9. UNCTAD NY OFFICE DIRECTOR SIDNEY DELL, IN REPORT TO CIFT, SUGGESTED THAT SUPPLEMENTARY FINANCING BE DROPPED IN FAVOR OF IMF LONGER TERM FINANCING. IMF REP COMMENTED THAT IMF HAS UNDER CONSIDERATION ON EXTENDED FUND FACILITY TO PROVIDE BOP ASSISTANCE FOR LONGER PERIODS AND POSSIBLE IN LARGER AMOUNTS THAN HERETOFORE BUT THAT POLITICAL OBSTACLES TO SUCH A FACILITY ARE MANY.

10. LDCS CONTINUE TO ARGUE SPORADICALLY ABOUT HARMFULNESS OF AID-TYING. ASIAN GROUP IS CONSIDERING SUBMISSION OF RESOLUTION CALLING FOR DISCONTINUANCE OF THIS PRACTICE.

11. MUCH OF JULY 10 PLENARY SESSIONS TAKEN UP BY GROUP B COUNTRY REPORTS ON AID INTENTIONS (WHERE GOALS ARE AMBITIOUS AS IN CASE OF NORDIC COUNTRIES AND NETHERLANDS) OR ON MAGNITUDE OF THEIR AID (THE LARGER COUNTRIES). GROUP B COUNTRIES SPLIT ON ISSUE OF APPROPRIATE CONCEPTS AND TARGETS. NORDIC COUNTRIES, NETHERLANDS, CANADA AND AUSTRALIA ARGUED FOR NET TRANSFER OF RESOURCES AS APPROPRIATE ODA TARGET, NORDICS AND SOME LDCS FOR ELIMINATION OF PRIVATE CAPITAL FLOWS. MOST OTHER GROUP B COUNTRIES OPPOSED TINKERING WITH CONCEPTS, ESPECIALLY GIVE FACT THEY ONLY RECENTLY LIMITED OFFICIAL USE

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ADOPTED AND THAT TINKERING WOULD TEND TO MAKE THEM LESS REALISTIC.

12. LITTLE INTEREST HAS THUS FAR BEEN EXPRESSED IN PRIVATE INVESTMENT STUDIES PREPARED TO SESSION. SPEAKING ON BEHALF OF SECRETARIAT, DELL HAS PROPOSED FOLLOW UP STUDIES WHICH WOULD EXAMINE INDIVIDUAL COUNTRY EXPERIENCES IN REGULATING FOREIGN PRIVATE DIRECT INVESTMENT WITH VIEW TO DETERMINING WHAT POLICIES YIELD HIGHEST BENEFITS TO LDCS. BASSIN

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